



# American Dream (HOME Funds) First-Time Homebuyer Program

## Program Description

The City of El Cajon **American Dream** First-Time Homebuyer Program now provides down-payment assistance to first-time homebuyers with the help of the HOME Program. This loan program can help with the purchase of a new or existing home within the City limits by providing financing to make housing affordable to low-income households. **This is a shared-appreciation equity loan in compliance with the HOME Program. See page (2) for an example of the financial consequences of this program.**

## Eligibility Criteria

Your household income cannot exceed 80% of the Area Median Income (80% AMI) or the following:

Household Size	Maximum Income (80% AMI)
1	\$ 67,900
2	\$ 77,600
3	\$ 87,300
4	\$ 97,000
5	\$ 104,800
6	\$ 112,550
7	\$ 120,300
8	\$ 128,050
Effective June 1, 2021 and subject to periodic updates	

- The home must be your principal residence.
- The minimum number of persons per bedroom shall not be less than one and cannot exceed two persons.
- The Borrower(s) must contribute 0% of the purchase price for down-payment for the property.
- The Borrower(s) must contribute 100% of the closing costs. Closing costs can be derived from gift funds, liquid assets, and/or retirement funds. Gift funds can come from an immediate family member, church, employer or non-profit agencies to pay for closing costs, with full documentation.
- Credit must meet City established guidelines.
- You must not have owned a home within the last three years.
- You cannot own any real property now.

## Property Guidelines

- The purchase price cannot exceed \$617,500 for existing or new Single Family Residences, or \$344,375 for Condominiums (effective 11/16/2021, subject to periodic updates).
- Homes may be single-family, condominiums, town-homes, or manufactured homes that meet FNMA conventional guidelines and are considered real property.
- The property must be vacant or owner-occupied upon execution of the purchase offer.
- The home must be free from any health and safety defects and lead-based paint hazards.
- The home must be in the City of El Cajon.

## Loan Terms

- No monthly payments. Repayment is deferred until the borrower sells, transfers, refinances, converts the home to a rental property, or property is non-owner occupied.
- No interest – instead, the City shares the equity. The principal does not decrease (Refer to page 2 for a program Equity Share example).
- **Maximum Loan:**
  - **For HOME Funds**
    - Up to \$50,000 for down-payment for Condominiums and cannot exceed HUD Maximum Per-Unit Subsidy Limits (formerly 221d (3) limits)<sup>1</sup>.
    - Up to \$100,000 for down-payment for Single Family Residences and cannot exceed HUD Maximum Per-Unit Subsidy Limits (formerly 221d (3) limits)<sup>2</sup>.
    - HOME funds cannot be used to pay debts.
- The HOME loan may be used for down-payment as specified above, on fully amortizing 30-year fixed rate loans only.
- Adjustable rates loans, Balloon, temporary buy-downs, negatively amortizing, or prepayment penalty loans are not allowed.
- Maximum fees to the Buyer of 1.25% origination, discount points for below par pricing only, and \$350 processing are acceptable for the purchase transaction. No other Broker or Admin type fees allowed. Other 3<sup>rd</sup> party fees that are reasonable and customary are allowable.
- Total housing ratio (PITI) cannot exceed 38% of applicant(s) monthly Annual Income or Gross Income.
- Maximum CLTV (with financed insurance) cannot exceed 100% of the appraisal value or purchase price, whichever is less.
- Maximum debt-to-income ratio is 48%.
- Minimum Housing Ratio is 28%.
- Impounds are required on the 1<sup>st</sup> mortgage.

## How to Apply

1. Print a Participating Lender List and an Approved Homebuyer Education Providers list from the website at [www.cityofelcajon.us](http://www.cityofelcajon.us) or request a copy by calling (619) 441-1710.
2. Attend an approved Homebuyer Education class.
3. Select a Participating Lender. The Participating Lender will pre-qualify you and submit a package to the City for pre-approval.
4. Find a home to purchase that meets Program and pre-approval requirements.
5. The lender will submit a request for funds and City loan application materials and related documentation. Funds are limited and are available on a first-come, first-serve basis.

**For more information please contact Community Development - Housing (619) 441-1710 or check out the City website at [www.cityofelcajon.us](http://www.cityofelcajon.us). Terms are subject to change without notice.**

The City of El Cajon is committed to providing equal housing opportunity for all people regardless of race, color, gender, religion, national origin, familial status or disability.

If you believe you have been a victim of discrimination, contact the U.S. Department of Housing & Urban Development's Fair Housing Hotline (800) 669-9777.



<sup>1</sup> Effective 9/9/2021: 0-BR \$153,314; 1-BR \$175,752; 2-BR \$213,717; 3-BR \$276,482; 4+-BR \$303,489.

<sup>2</sup> Effective 9/9/2021: 0-BR \$153,314; 1-BR \$175,752; 2-BR \$213,717; 3-BR \$276,482; 4+-BR \$303,489.

# American Dream (HOME Funds) First-Time Homebuyer Program Shared Equity Example

**NOTE:** The maximum equity to be shared by the City shall not exceed the amount equal to the percentage of the value of the residence financed by the CalHome and HOME Program loan(s). That is, if the loan equals twenty percent (20%) of the **Original Purchase Price** of the residence, a maximum of twenty percent (20%) of the **Net Appreciation** may be charged by the City.

The following example assumes the following: (a) **Current Sales Price** or **Current Appraised Value** (as may be the case of a refinance), in the example, of \$260,000, (b) **Original Purchase Price (OPP)** of \$180,000, (c) initial **Gross Appreciation** of \$80,000 (the Current Sales Price of \$260,000 minus the Original Purchase Price of \$180,000), (d) \$26,000 in closing costs (estimated at 10% of the **Current Sales Price**), (e) initial **Net Appreciation** of \$54,000, and an equity share schedule based on the percentage of CalHome assistance of \$30,150 (16.75% of OPP) and HOME assistance of \$14,850 + \$5,000 (11.03% of (OPP)) on an Initial Purchase Price of \$180,000. *The table is for the purpose of illustration only and will apply to any form of default of the City administered Programs. Actual sales price and net sales price will vary. The principal amount of the loans remains due and is in addition to any equity-share that may be owed to the City.*

# Months After Date of Agreement	Current Sales Price or Current Appraised Value (a)	Original Purchase Price (b)	Gross Appreciation (c) (difference of a-b)	Seller's Closing Costs (d) (10% of Current Sales Price)	Net Appreciation (e) (c-d)	Seller's Equity Share of Net Appreciation (f) (72.22% of [e])	HOME & City Equity Share of Net Appreciation (g) (27.78% of [e])	Principal Amount Due to City (h)	Total Amount due to City (g+h)
0-180	\$260,000	\$180,000	\$80,000	\$26,000	\$54,000	\$38,998.80	\$15,001.20	\$50,000	\$65,001.20
181 and thereafter	\$285,000	\$180,000	\$105,000	\$28,500	\$76,500	\$76,500.00	\$0	\$50,000	\$50,000.00

In this example, the finance charge/equity-share varies between \$0<sup>3</sup> and \$15,001.20 through year thirty (30). Your amount will differ, depending upon gross sales price, net sales price, the amount of equity, the number of months after the date of agreement that the sale, transfer, rental or refinance occurs, etc.

In the event that no Net Appreciation exists at the time of transfer or sale, HOME funds will still be due and payable. In the event that a negative Net Appreciation situation exists, and the full amount of the HOME funds are not available to be recaptured, the amount of HOME funds required to be repaid to the City, at its sole discretion will be as set forth in 24 CFR 92.254(a)(ii)(A)(3). The formulas are as follows:

$$\frac{\text{HOME Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{HOME amount to be recaptured}$$

$$\frac{\text{Homeowner Investment}}{\text{HOME Investment} + \text{Homeowner Investment}} \times \text{Net Proceeds} = \text{Amount to Homeowner}$$

Provided that Borrower is not in default under the terms of the Note, the interest/equity share provision of the Note shall be forgiven in its entirety and interest in the equity of the Property shall be relinquished by the City THIRTY (30) years from the date of the execution of the Note, as provided in the loan documents.

## DEFINITIONS

**"CalHome Funds" or "CalHome Loan"** is defined as funds received pursuant to the CalHome Program administered through the California Department of Housing and Community Development.

**"Current Sales Price"** is defined as the price obtained for the property in the open market and shall include anything of value given for consideration (e.g., cash, personal property, real property, etc.)

**"Current Appraised Value"** is defined as the value of the property obtained from an independent appraiser licensed by the State of California. The City reserves the right to obtain an independent appraisal.

**"Direct HOME Subsidy"** is the amount of HOME assistance; including down-payment, closing costs or any other HOME assistance provided directly to the homebuyer/homeowner.

**"Documented Capital Improvements"** is defined by the IRS as Improvements (not repairs) in IRS publication 530 (or equivalent). All documentation necessary to establish said improvements must be submitted to the City for review. Please contact the City of El Cajon Building Division to ensure that any Documented Capital Improvement meets current code and permits are obtained when required.

**"Effective Period" or "Period of Affordability"** is defined as the period commencing on the date of this Agreement and ending on the earlier of the repayment of the loan from the City or THIRTY (30) years after recordation of the Deed of Trust.

**"Equity Share Period"** is defined as the THIRTY (30) year period after recordation of the Deed of Trust in which the City shall share Net Appreciation if the property is sold, rented, refinanced, conveyed or transferred (except as provided in the Note), without the express written consent of the City.

**"Gross Appreciation"** is calculated by subtracting the Original Sales Price from the Current Sales Price or Current Appraised Value.

**"HOME Funds" or "HOME Investment"** is defined as funds received pursuant to the HOME Investment Partnership Program.

**"Homeowner investment"** is defined as the amount of Seller's Cash Contribution and Documented Capital Improvements made by the owner since purchase.

**"Net Appreciation"** is calculated by subtracting the Seller's Applicable Closing Costs, Seller's Cash Contribution in the Original Purchase Price transaction, and the documented value of capital improvements from the Gross Appreciation amount.

**"Net Proceeds"** is defined as the sale prices minus superior loan repayment and any closing costs. Under no circumstances can the City (American Dream FTHB Program) recapture more than is available from the Net Proceeds of the sale.

**"Original Purchase Price"** is defined as the amount paid for the assisted property, plus any financed upgrades or closing costs as listed on the Final HUD-1 Settlement Statement.

**"Seller's Cash Contribution"** is defined as cash deposited by the Borrower plus any gift funds approved by the City (less any refund) in the Original Purchase Price transaction. Seller's Cash Contribution does not include any credit for closing costs, rebate financing, concessions, etc., provided by any party other than borrower.

**"Seller's Applicable Closing Costs"** include those costs of broker's commissions' escrow fees, title costs and fees, recording fees, etc.

**"Term"** The amount of a time set by the Lender for a Borrower to pay a 1<sup>st</sup> mortgage. Most 1<sup>st</sup> Deed of Trust mortgages have a 15-year or 30-year term. Term also refers to Effective Period.

<sup>3</sup> Equity-share would equal \$0 in the event the property is sold to another qualified family who applies for HOME assistance and the City elects to forgive the entire equity-share portion due to the City.